



ORGANIZATION FOR THE PROTECTION
AND ADVANCEMENT OF SMALL
TELEPHONE COMPANIES

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

September 11, 1992

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, DC 20554

Re: In the Matter of
Amendment of Parts 65 and 69 of
the Commission's Rules to Reform
the Interstate Rate of Return
Represcription and Enforcement
Processes
CC Docket No. 92-133

Dear Ms. Searcy:

Please find enclosed for filing the original and eleven copies of the Organization for the Protection and Advancement of Small Telephone Companies' comments in the above-captioned proceeding.

Thank you for your assistance in this matter.

Sincerely,

John N. Rose
Executive Vice President

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Before the
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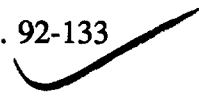
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COMMENTS OF
THE ORGANIZATION FOR THE PROTECTION AND
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OPASTCO
2000 K Street, NW
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COMMENTS OF
THE ORGANIZATION FOR THE PROTECTION AND
ADVANCEMENT OF SMALL TELEPHONE COMPANIES

I. INTRODUCTION

The Organization for the Protection and Advancement of Small Telephone Companies (OPASTCO) respectfully submits comments in response to the Federal Communication Commission's (FCC or Commission) Notice of Proposed Rulemaking and Order dated July 14, 1992 in the above captioned matter.¹

OPASTCO is a national trade association of more than 400 independently owned and operated telephone companies serving rural areas of the United States and Canada. The members, which include both commercial companies and cooperatives, range in size from less than 100 to nearly 50,000 access lines and together

¹ In the Matter of Amendment of Parts 65 and 69 of the Commission's Rules to Reform the Interstate Rate of Return Represcription and Enforcement Processes, CC Docket No. 92-133, Notice of Proposed Rulemaking and Order, released July 14, 1992. ("NPRM")

serve almost two million customers. OPASTCO is an interested party in this matter because its members are affected by changes in the rate of return represcription procedures and methodologies, enforcement procedures, and deferral of a represcription proceeding either directly or as a part of the National Exchange Carrier Association (NECA) pools.

OPASTCO supports the Commission's effort to improve the represcription process. It particularly supports the Commission's decision to continue a unitary, overall rate of return for local exchange carriers. This will be particularly useful in allowing small companies to provide quality services in rural areas at reasonable rates. Furthermore, this will continue to provide incentives for small companies to invest in infrastructure that provides a range of services at superior quality, and increased reliability.

II. COMMENTS

OPASTCO supports the Commission's policy of a unitary, overall rate of return for LECs. This policy will continue to simplify future represcription proceedings for the Commission, small companies, and NECA. The unitary rate of return is also necessary to continue easy administration of long term support calculations and obligations and for the universal service fund.

The continuance of the unitary rate of return was the cornerstone of OPASTCO's support of the industry's Unity 1A agreement and the resulting changes in access and pooling as well as OPASTCO's support of Price Caps for the large holding

companies. In light of these factors OPASTCO supports the FCC's tentative conclusion that a unitary rate of return be retained for the LEC industry.

OPASTCO recommends that information provided by the Bell Operating Companies (BOCs) be used as the basis for calculating the unitary rate of return. The BOCs provide a readily available source of information which will prove a stable, reliable basis for calculating the unitary rate of return. Because the BOCs represent over eighty percent (80%) of the LEC industry, OPASTCO believes it is unnecessary to use data of other LECs to develop the unitary rate of return. Particularly, OPASTCO does not believe it is necessary to collect state cost of capital data from any of the remaining rate of return LECs. Relying on BOC-provided information will reduce filing requirements and simplify collection efforts by both regulators and companies.

The Commission proposes replacing the current biennial trigger contained in Part 65 with a trigger based on changes in the capital markets.² In addition, the Commission invites comment on how to proceed once the triggering event occurs and an automatic represcription proceeding begins.³ OPASTCO supports the elimination of an automatic biennial trigger, but not replacement by another automatic trigger. We agree that an automatic trigger could lead to unwarranted proceedings which

² NPRM at para 19.

³ Id. at para. 25.

could be a burden to all concerned. However, the triggering event should initiate a review process that would examine only whether a represcription process is warranted.

Initiating a new represcription proceeding when the methodology has been reviewed would be confusing to the industry and an unnecessary burden. OPASTCO agrees that deferring the represcription proceeding is in the best interests of all the parties and will further the public interest by ensuring stable return levels.

OPASTCO supports the Commission's tentative decision to repeal the automatic refund rule and rely on the tariff review and the complaint process.⁴ As more of the larger LECs elect to exit the pools, the instability of the pool rate of return will increase. A new refund rule which calculates refunds on an overall interstate access basis is an excellent proposal that OPASTCO fully supports, as it should create more stability than determining return levels for each of the separate pools. As with actuarial tables and probabilities, the smaller the universe, the greater the variability. Yet with the proposed use of the overall interstate access basis, increased stability for all small companies in the pools should result. In addition, based on possible increased instability if some of the larger members exit the pool, buffer zones should be increased. OPASTCO

⁴ Id. at para. 98.

further believes the two year enforcement period should be retained.

III. CONCLUSION

OPASTCO supports the overall direction the Commission has proposed in the NPRM to simplify the represcription process, retain the unitary rate of return, defer the immediate represcription, and repeal the automatic refund process. As discussed herein, OPASTCO believes the new trigger process for represcription should not be automatic. OPASTCO further believes the unitary rate of return should use the BOC-supplied data.

Respectfully submitted,

A handwritten signature in cursive script, reading "John N. Rose", followed by the initials "MLD". The signature is written in dark ink and is positioned above a horizontal line.

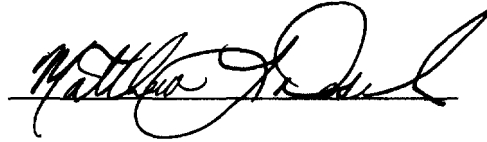
John N. Rose
Executive Vice President

The Organization for the
Protection and Advancement
of Small Telephone Companies
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September 11, 1992

CERTIFICATE OF SERVICE

I, Matthew L. Dosch, hereby certify that a copy of OPASTCO's comments was sent on this, the 11th day of September, 1992, by first class United States mail, postage prepaid, to those listed below.

A handwritten signature in black ink, appearing to read "Matthew L. Dosch", written over a horizontal line.

Matthew L. Dosch

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